

## Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 182779

73

ORIGIN PM-07

INFO OCT-01 ISO-00 AF-10 ARA-16 EA-11 EUR-25 NEA-14 RSC-01

MC-02 TRSE-00 OMB-01 EB-11 COME-00 AID-20 IGA-02

CIAE-00 H-03 INR-11 L-03 NSAE-00 NSC-07 PA-04 PRS-01

SP-03 SS-20 USIA-15 /188 R

DRAFTED BY PM/SAS:DNIEMI:DOD/DSAA:COL. SERIO/RS

APPROVED BY T - MR. MAW

DOD - DEPUTY SECRETARY CLEMENTS

DOD - MR. ELLSWORTH

DOD - MR. FORMAN

DOD - GENERAL FISH

L/PM - MR. BOREK

PM/SAS MR.JAMES

PM/SAS - MR. LAD

S/S:JPMOFFAT

----- 001901

R 202210Z AUG 74

FM SECSTATE WASHDC

TO ALL DIPLOMATIC AND CONSULAR POSTS

INFO USCINCEUR

CINCPAC

USCINCSO

CJCS

CSA

CSAF

CNO

CMC

SECDEF

XMT AMEMBASSY ATHENS

AMEMBASSY ANKARA

AMEMBASSY NICOSIA

AMEMBASSY NOUAKCHOTT

LIMITED OFFICIAL USE STATE 182779

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 182779

INFORM CONSULS - BEIRUT ALSO PASS BAGHDAD

E.O. 11652: N/A

TAGS:MASS, XX, US

SUBJECT:POLICY GUIDANCE ON PRICE, AVAILABILITY AND CONDITION OF MILITARY EQUIPMENT FURNISHED TO FOREIGN GOVERNMENTS.

FOR THE AMBASSADOR

1. INFLATION IS COMBINING WITH ACUTE SHORTAGES OF SOME ITEMS IN AN ATTACK ON THE SMOOTH FUNCTIONING OF OUR MILITARY SALES AND ASSISTANCE PROGRAMS. IT IS BECOMING INCREASINGLY DIFFICULT TO PROVIDE RELIABLE ESTIMATES OF PRICE, CONDITION, AND ANTICIPATED DELIVERY DATES FOR A WIDE RANGE OF ITEMS. UNDERSTANDABLY ENOUGH, FOREIGN GOVERNMENTS (SOMETIMES AT THE HIGHEST LEVELS) HAVE BECOME DISAPPOINTED AND ANGRY WHEN FACED WITH SUDDEN LARGE PRICE INCREASES AND DELIVERY DELAYS. ECONOMIC UNCERTAINTY, PRODUCTION CUTBACKS, AND REDUCED U.S. FORCES' INVENTORIES ALSO CONTRIBUTE TO OUR DIFFICULTIES. NONE OF THE CONTRIBUTING FACTORS IS FORECAST TO IMPROVE IN THE NEAR TERM.

2. IT IS THEREFORE IMPERATIVE THAT THE UTMOST DISCRETION BE EXERCISED IN DISCUSSIONS WITH HOST GOVERNMENT OFFICIALS OF PRICE, AVAILABILITY, AND EQUIPMENT CONDITION. ONLY

SPECIFIC DATA PROVIDED BY THE MILITARY DEPARTMENTS OR THE DEFENSE SECURITY ASSISTANCE AGENCY (DSAA) SHOULD BE USED. IN ALL DISCUSSIONS, IT SHOULD BE CLEARLY NOTED THAT PRICES ARE ESTIMATES ONLY AND ARE SUBJECT TO CHANGE. PRICES CHARGED TO PURCHASERS UNDER FOREIGN MILITARY SALES CONTRACTS OR CHARGED AGAINST GRANT MILITARY ASSISTANCE ACCOUNTS ARE GOVERNED BY US LEGAL REQUIREMENTS. HOST GOVERNMENTS MUST RECOGNIZE THAT PRICES CONTAINED IN LETTERS OF OFFER (I.E., DOD FORM 1513, ALSO KNOWN AS LOA) ARE IN REALITY ESTIMATES, THE TERMS OF WHICH THE USG MUST BY LAW REVISE IF NECESSARY TO REFLECT ACTUAL PROCUREMENT COSTS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 182779

3. CONDITION OF USED EQUIPMENT SUGGESTED FOR CONSIDERATION SHOULD BE ASCERTAINED, AND ANY COMMITMENTS MADE MUST BE EXPLICIT IN ORDER TO PRECLUDE MISUNDERSTANDINGS. IF DATA ON EQUIPMENT CONDITION IS NOT AVAILABLE IN ADEQUATE DETAIL, THE MILITARY DEPARTMENT CONCERNED SHOULD BE REQUESTED TO PROVIDE SPECIFICS BEFORE COMMITMENTS ARE MADE. THE MILITARY ARTICLES AND SERVICES LIST (MASL, A LIST OF EQUIPMENT COMMON TO ALL MILITARY DEPARTMENTS) IS INTENDED

FOR MAP (GRANT MILITARY ASSISTANCE PROGRAM) PLANNING AND SHOULD NOT BE USED EVEN AS A GENERAL GUIDE FOR FOREIGN MILITARY SALES. DISCUSSIONS OF SPECIFICS RELATED TO FMS CASH OR CREDIT SALES SHOULD BE BASED ON CURRENT DATA PROVIDED BY THE MILITARY DEPARTMENTS OR DSAA.

4. OVERALL POLICY -- ALTHOUGH EVERY POSSIBLE EFFORT WILL BE MADE TO MAINTAIN PRICE, AVAILABILITY AND CONDITIONS INDICATED, COMMITMENTS MADE TO POTENTIAL RECIPIENT GOVERNMENTS MUST BE CONSISTENT WITH OUR ABILITY TO DELIVER, AND ALL CONCERNED MUST UNDERSTAND THAT UNSETTLED WORLDWIDE ECONOMIC CONDITIONS AND U.S. LEGAL REQUIREMENTS MAY NECESSITATE REVISION -- UNFORTUNATELY USUALLY UPWARD -- OF THE MOST CAREFULLY PREPARED ESTIMATES. UNWARRANTED EXPECTATIONS AS TO PRICE, AVAILABILITY, AND CONDITION MUST BE AVOIDED IF OUR MILITARY ASSISTANCE AND SALES PROGRAMS ARE TO CONTRIBUTE TO BETTER, RATHER THAN WORSE, RELATIONS WITH HOST COUNTRIES.

5. YOU ARE REQUESTED TO ASSURE THAT ALL CONCERNED MEMBERS OF YOUR STAFF ARE AWARE OF THIS PROBLEM AND THE ACTIONS REQUIRED TO DEAL WITH IT. IF THIS IS NOT CLEAR IN EVERY RESPECT, PLEASE ADDRESS YOUR QUESTIONS PROMPTLY FOR FURTHER GUIDANCE. KISSINGER

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INSTRUCTIONS, MILITARY ASSISTANCE, MILITARY SALES, PRICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 20 AUG 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** boyleja  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974STATE182779  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** DNIEMI:DOD/DSAA:COL. SERIO/RS  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740230-0070  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740832/aaaabbgj.tel  
**Line Count:** 139  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN PM  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** boyleja  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 15 MAY 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <15 MAY 2002 by boyleja>; APPROVED <03 MAR 2003 by boyleja>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** OLICY GUIDANCE ON PRICE, AVAILABILITY AND CONDI- TION OF MILITARY EQUIPMENT FURNISHED TO FOREIGN GOVERNMENTS.  
**TAGS:** MASS, XX, US  
**To:** ALL POSTS  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005